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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

SEC FILE NUMBER
8-36558

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 07/01/19 AND ENDING 06/30/20  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: SATURNA BROKERAGE SERVICES

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1300 NORTH STATE STREET

(No. and Street)

BELLINGHAM

WA

98225

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

KALEN HANNA (360) 734-9900

(Area Code - Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

MOSS ADAMS, LLP

(Name - if individual, state last, first, middle name)

2219 RIMLAND DRIVE, STE 215 BELLINGHAM

WA

98226

(Address)

(City)

(State)

(Zip Code)

## CHECK ONE:



Certified Public Accountant



Public Accountant



Accountant not resident in United States or any of its possessions.

## FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

## OATH OR AFFIRMATION

I, KALEN HANNA, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SATURNA BROKERAGE SERVICES, as of AUGUST 25, 2020, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

K H

Signature

CHIEF FINANCIAL OFFICER

Title

Stephanie Louas

Notary Public



This report \*\* contains (check all applicable boxes)

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- ☐ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

Report of Independent Registered Public Accounting Firm  
and Financial Statements with Supplementary Schedules for

**Saturna Brokerage Services, Inc.**

(A wholly owned subsidiary of  
Saturna Capital Corporation)

June 30, 2020 and 2019

**SATURNA BROKERAGE SERVICES, INC.**  
**(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)**

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<b>Contents</b>	<b>Page(s)</b>
Report of Independent Registered Public Accounting Firm	3-4
<b>FINANCIAL STATEMENTS</b>	
Statements of financial condition	5
Statements of operations	6
Statements of shareholder's equity	7
Statements of cash flows	8
Notes to financial statements	9-13
<b>SUPPLEMENTARY INFORMATION</b>	
Computation of net capital under rule 15c3-1 under the Securities Exchange Act of 1934 (Schedule I)	14
<b>EXEMPTION PROVISIONS UNDER RULE 15c3-3 OF THE SECURITIES EXCHANGE ACT OF 1934</b>	
Review report on management's statements regarding compliance with certain exemption provisions under Rule 15c3-3 of the Securities Exchange Act of 1934	15
Management's statement regarding compliance with certain exemption provisions under Rule 15c3-3 of the Securities Exchange Act of 1934	16



MOSSADAMS

## **Report of Independent Registered Public Accounting Firm**

To the Shareholder and Board of Directors of  
Saturna Brokerage Services, Inc.

### ***Opinion on the Financial Statements***

We have audited the accompanying statements of financial condition of Saturna Brokerage Services, Inc. (the Company) as of June 30, 2020 and 2019, and the related statements of operations, changes in shareholder's equity, and cash flows for the years then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

***Opinion on the Supplementary Information***

The supplementary information in Schedule I has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The information in Schedule I is the responsibility of the Company's management. Our audit procedures include determining whether the information in Schedule I reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in Schedule I. In forming our opinion on the information in Schedule I, we evaluated whether the information in Schedule I, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the information in Schedule I is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "Mon Adams LLP", is written above the printed text.

Bellingham, Washington  
August 25, 2020

We have served as the Company's auditor since 2013.

**SATURNA BROKERAGE SERVICES, INC.**  
**(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)**

**Statements of Financial Condition**

	ASSETS	
	June 30,	
	2020	2019
Cash and cash equivalents	\$ 901,333	\$ 1,265,267
Investment securities, at fair value	1,644,613	1,557,798
Receivable from affiliated companies	1,011,437	1,014,466
Deposit with clearing organization	100,000	100,000
Prepaid expenses	31,572	31,452
Deferred tax asset	27,588	32,490
<b>TOTAL ASSETS</b>	<b>\$ 3,716,543</b>	<b>\$ 4,001,473</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>LIABILITIES</b>		
Mutual fund distribution fees payable	\$ 990,439	\$ 1,055,190
Accounts payable and accrued expenses	48,011	39,798
Deferred tax liability	39,020	29,688
Payable to affiliated companies	97,026	19,005
<b>Total liabilities</b>	<b>1,174,496</b>	<b>1,143,681</b>
<b>SHAREHOLDER'S EQUITY</b>		
Common stock, \$10 par value, 200,000 shares authorized; issued and outstanding 115,000 and 107,500 at June 30, 2020 and 2019	1,150,000	1,075,000
Additional paid-in capital	9,969,716	9,294,716
Accumulated deficit	(8,577,669)	(7,511,924)
<b>Total shareholder's equity</b>	<b>2,542,047</b>	<b>2,857,792</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>\$ 3,716,543</b>	<b>\$ 4,001,473</b>

*See accompanying notes to the financial statements*

**SATURNA BROKERAGE SERVICES, INC.**  
**(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)**

**Statements of Operations**

	Years ended June 30,	
	2020	2019
<b>REVENUES</b>		
Mutual fund distribution fees	\$ 5,465,741	\$ 5,424,704
Investment income	86,815	112,033
Brokerage commission fees	61,333	47,843
Other income	16,708	27,002
Total	<u>5,630,597</u>	<u>5,611,582</u>
<b>EXPENSES</b>		
Mutual fund distribution fees	5,465,741	5,982,273
Compensation expense	1,085,139	213,815
Brokerage clearing and trading	210,235	181,622
General and administrative	96,079	99,284
State and city taxes	42,833	27,347
Professional services	33,500	34,302
Occupancy expenses	27,571	28,250
Market data and information services	19,027	18,259
Marketing and advertising	-	680
Total	<u>6,980,125</u>	<u>6,585,832</u>
<b>LOSS BEFORE INCOME TAXES</b>	(1,349,528)	(974,250)
Current income tax benefit	298,017	204,593
Deferred income tax expense	(14,234)	(30,903)
<b>NET LOSS</b>	<u>\$ (1,065,745)</u>	<u>\$ (800,560)</u>

*See accompanying notes to the financial statements*



**SATURNA BROKERAGE SERVICES, INC.**  
**(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)**

**Statements of Shareholder's Equity**

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares out</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Deficit</u>	<u>Shareholder's</u>
			<u>Capital</u>		<u>Equity</u>
BALANCE, June 30, 2018	<u>93,000</u>	<u>\$ 930,000</u>	<u>\$ 7,989,716</u>	<u>\$ (6,767,428)</u>	<u>\$ 2,152,288</u>
Common stock issuance	14,500	145,000	1,305,000	-	1,450,000
Adjustment to accumulated deficit				56,064	56,064
Net loss	-	-	-	(800,560)	(800,560)
BALANCE, June 30, 2019	<u>107,500</u>	<u>\$ 1,075,000</u>	<u>\$ 9,294,716</u>	<u>\$ (7,511,924)</u>	<u>\$ 2,857,792</u>
Common stock issuance	7,500	75,000	675,000	-	750,000
Net loss	-	-	-	(1,065,745)	(1,065,745)
BALANCE, June 30, 2020	<u>115,000</u>	<u>\$ 1,150,000</u>	<u>\$ 9,969,716</u>	<u>\$ (8,577,669)</u>	<u>\$ 2,542,047</u>

*See accompanying notes to the financial statements*

**SATURNA BROKERAGE SERVICES, INC.**  
**(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)**

**Statements of Cash Flows**

	Years ended June 30,	
	2020	2019
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Net loss	\$ (1,065,745)	\$ (800,560)
Adjustment to reconcile net loss to net cash used in operating activities		
Reinvestment of dividend income	(45,886)	(45,056)
Unrealized gains on marketable securities	(40,929)	(66,974)
Adjustment to accumulated deficit	-	56,064
Provision for deferred taxes	14,234	30,903
Changes in operating assets and liabilities		
Receivable from affiliates	3,029	(419,844)
Prepaid expenses	(120)	1,496
Accounts and mutual fund distribution fees payable	(56,538)	15,734
Payable to affiliates	78,021	(2,590)
Net cash flows used in operating activities	<u>(1,113,934)</u>	<u>(1,230,827)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of common stock	<u>750,000</u>	<u>1,450,000</u>
Net cash flows from financing activities	<u>750,000</u>	<u>1,450,000</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(363,934)</u>	<u>219,173</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>1,265,267</u>	<u>1,046,094</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 901,333</u></u>	<u><u>\$ 1,265,267</u></u>

*See accompanying notes to the financial statements*

**SATURNA BROKERAGE SERVICES, INC.**  
(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)

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**Notes to Financial Statements**

**Note 1 – Organization**

Saturna Brokerage Services, Inc. (the “Company” or “Saturna Brokerage”) was organized under the laws of the state of Washington on September 2, 1986 as a broker-dealer. The Company is a wholly owned subsidiary of Saturna Capital Corporation (“Saturna Capital”).

**Note 2 – Summary of Significant Accounting Policies**

**Basis of presentation** – The accompanying financial statements have been prepared on the accrual basis of accounting.

**Reclassifications** – Certain prior-period amounts have been reclassified to conform to the current-period presentation. These reclassifications do not have a material impact on the financial statements.

**Cash and cash equivalents** – Saturna Brokerage considers cash and cash equivalents to include demand deposits and liquid investments with maturities of three months or less. Saturna Brokerage maintains an account with one financial institution that is insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per depositor. Balances in the Company bank account exceeded the federal insurance limits during the fiscal year; however, Saturna Brokerage has not experienced any losses with respect to its bank balances in excess of government-provided insurance, and management believes that the Company is not vulnerable to excessive risk on its cash balances. In the fiscal year ended June 2019, the Company implemented Promontory Interfinancial Network’s Insured Cash Sweep service on its bank account. This cash-management service allows balances in the account in excess of \$250,000 to be covered under the FDIC insurance umbrella.

**Financial instruments** – The fair values of cash, investments, accounts receivable and accounts payable approximate their carrying values due to the short-term nature of these financial instruments.

**Investment securities** – Saturna Brokerage holds investments, primarily in affiliated mutual funds, that are measured and reported at fair value in accordance with ASC 321, *Investments – Equity Securities*. Under the standard, changes in the fair value of equity investments with readily determinable fair values are recognized in net income (loss). During its 2020 and 2019 fiscal years, gross unrealized gains included in earnings amounted to \$163,718 and \$149,598, respectively, and gross unrealized losses amounted to \$122,789 and \$82,623.

**SATURNA BROKERAGE SERVICES, INC.**  
(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)

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As defined in ASC Topic 820 *Fair Value Measurements and Disclosures*, fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. ASC 820-10 establishes the following hierarchy of inputs to fair value measurement:

- Level 1 – quoted prices in active markets for identical assets that the reporting entity can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

The Company considers it reasonable to refer to Level 1 inputs in measuring the fair value of its investments.

**Receivables** – The Company’s receivables consist primarily of amounts due from affiliated mutual funds for distribution services, and the parent company resulting from the two companies’ expense-sharing arrangement. Based on the Company’s history of collecting on such receivables, management has decided to not establish a reserve for uncollectible receivables.

**Leases** – In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), replacing ASC Topic 840, *Leases*, with updated guidance on accounting for leases. The new standard requires a lessee to recognize assets and liabilities arising from most operating leases. Public business entities must apply the new standard for fiscal years beginning after December 15, 2018; accordingly, Saturna Brokerage adopted the standard in its fiscal year ended June 30, 2020.

The standard allows lessees to elect to not capitalize short-term leases and instead account for them as executory contracts. Short-term leases are defined as having a maximum lease term of 12 months or fewer and do not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. The accounting policy election for short-term leases must be made by class of underlying asset. Saturna Brokerage has elected to not recognize a right-of-use asset and liability related to its lease of office space from a related party.

**Revenue Recognition** -- The FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), to supersede the revenue-recognition requirements of Topic 605 and most industry-specific guidance in the Industry Topics of the Codification. The standard was effective for public business entities for annual reporting periods beginning after December 15, 2017; accordingly, Saturna Brokerage adopted the standard on July 1, 2018 using the modified retrospective approach.

The Company assessed its revenue streams and did not identify any material changes to the timing or amount of revenue recognized under the new standard. Revenues are recognized when

**SATURNA BROKERAGE SERVICES, INC.**  
**(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)**

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promised services are delivered to customers, in an amount that reflects the consideration the Company expects to receive in exchange for those services.

The Company's main revenue stream, mutual fund distribution fees, is computed based on the daily net assets of the affiliated mutual funds paying such distribution fees. Under previous GAAP, such revenue could be recognized only to the extent that such fees had been received. Upon adopting the standard, the Company recognizes such revenue on an accrual basis, and to the extent the Company has satisfied its performance obligations. As a result of the adoption, the Company decreased its accumulated deficit by \$56,064, an amount related to revenue arising in June 2018 but which had not been received as of the end of the prior fiscal year.

Saturna Brokerage recognizes investment income during the month in which any dividends are transferred to its investment accounts. Such income also includes unrealized gains or losses on its marketable equity securities arising from market action during the reporting period. Brokerage commission fees and other income are accrued based on the clearing and settlement activities reported by clearing broker Pershing in the Company's monthly statement of activity.

**Mutual fund distribution** – Saturna Brokerage, as underwriter for Amana Mutual Funds Trust (the "Amana" funds or "AMFT") and at no profit to itself, receives up to 0.25% of Amana's daily net assets annually for various marketing and distribution expenses. For the 2020 and 2019 fiscal years, the Company received \$5,293,648 and \$5,300,231, respectively, from AMFT. In addition, the Company recognized expense of \$8,619,260 and \$8,500,094, respectively, in distributing the Amana mutual funds (including both the investor and institutional share classes), of which the portion in excess of 12b-1 receipts was borne by Saturna Capital per the two companies' expense-sharing understanding. Distribution expenses exceed revenues primarily because mutual fund distribution platforms used by Amana charge up to 0.40% of daily net assets.

Saturna Brokerage also acts as the distributor for the nine mutual funds of Saturna Investment Trust. Under a Rule 12b-1 plan, the Company collects distribution fees from two of the funds. Saturna Brokerage recorded income of \$172,093 and \$124,473 in the years ended June 30, 2020 and 2019, respectively, and a total of \$394,275 and \$326,079 was expensed for distributing the funds. Marketing and other expenses related to distributing the funds are recorded on the books of Saturna Capital; the portion of distribution expenses in excess of 12b-1 receipts was borne by Saturna Capital per the two companies' expense-sharing understanding.

**Income taxes** – Saturna Brokerage files a consolidated federal income tax return with Saturna Capital. For financial statement purposes, income tax expense (benefit) is calculated as if the Company filed a separate return. Management has analyzed Saturna Brokerage's position taken on federal income tax returns for all open tax years and has concluded that no additional adjustments are required in the Company's financial statements.

**SATURNA BROKERAGE SERVICES, INC.**  
**(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)**

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**Advertising costs** – The Company expenses advertising and marketing costs when incurred.

**Use of estimates** – The financial statements presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America. These principles require management to make estimates and assumptions that affect the amount of assets and liabilities reported on the balance sheet date; the disclosure of contingent assets and liabilities; and the amounts of revenues and expenses reported during the period. Actual results could differ from those estimates.

**Risks and uncertainties** – In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. Since that time, the disease has continued to spread globally. While the disruption of the global economy is currently expected to be temporary, there is uncertainty around the duration of the pandemic. Therefore, the effects of the pandemic upon the Company's business, financial position, results of operations and cash flows cannot be reasonably estimated at this time.

**Note 3 – Net Capital Requirements**

Saturna Brokerage is subject to the U.S. Securities and Exchange Commission's Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital to ensure that the ratio of aggregate indebtedness to net capital, both as defined, does not exceed 15 to 1.

At June 30, 2020 and 2019, Saturna Brokerage's net capital of \$1,306,135 and \$1,622,433 was \$1,227,835 and \$1,546,188 in excess of its minimum net capital required, respectively. The ratio of the Company's aggregate indebtedness to net capital was 0.8992 and 0.7049 to 1 at June 30, 2020 and 2019, respectively.

**Note 4 – Transactions with Affiliated Persons**

Saturna Brokerage is a wholly owned subsidiary of Saturna Capital Corporation. Due to her stock ownership, the President and Chief Executive Officer, Mrs. Jane Carten, is deemed to be the Company's controlling person. As part of Saturna Capital's succession planning, Mr. Nicholas Kaiser, Chairman of Saturna Capital, granted an option to purchase voting rights of his shares in Saturna Capital to Mrs. Carten, his daughter. Mrs. Carten's exercise of this option on September 24, 2018 was treated as a "change of control" of Saturna Capital and thus resulted in the "assignment" (as defined in the Investment Company Act of 1940) and automatic termination of each affiliated mutual fund's advisory contract. Therefore, the shareowners of each fund were asked to approve new advisory agreements to take effect on that date.

**SATURNA BROKERAGE SERVICES, INC.**  
**(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)**

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Mrs. Carten is a director of Saturna Capital, Saturna Brokerage, Saturna Trust Company, Saturna Environmental Corporation and Saturna Sdn Bhd (Malaysia), and is also president (and a trustee) of Saturna Investment Trust.

Among other customers, the Company provides brokerage execution services to private accounts and mutual funds managed by Saturna Capital. Effective January 1, 2005, Saturna Brokerage executes transactions for these managed accounts for no commission. This negatively impacts the Company, since it must pay clearing and other charges for these transactions.

Saturna Brokerage shares its principal offices with Saturna Capital, and its employees are employees of Saturna Capital. The companies maintain an expense-sharing agreement for services provided by Saturna Capital personnel on behalf of Saturna Brokerage.

Saturna Brokerage operates a non-branch location within space occupied by Saturna Trust Company in Henderson, Nevada. Expenses charged to Saturna Brokerage by Saturna Capital and Saturna Trust in 2020 and 2019 were \$1,106,322 and \$281,242, respectively. These expenses related primarily to compensation of employees and other general and administrative costs.

**Note 5 – Provision for Income Taxes**

Saturna Brokerage recorded a receivable from Saturna Capital for the benefit of the negative taxable income that the Company generated during the reporting period. For the fiscal years ended June 30, 2020 and 2019, SBS recorded a current income tax benefit of \$298,017 and \$204,593, respectively. Saturna Brokerage also recorded a deferred tax expense of \$14,234 and \$30,903 in its 2020 and 2019 fiscal years, respectively, related to accrued expenses and unrealized gains on marketable securities.

**Note 6 – Subsequent Events**

The Company has evaluated events and transactions for potential recognition or disclosure through the date these financial statements were issued. There were no events or transactions that occurred between the balance sheet date and the date that the financial statements were available to be issued that materially impacted the amounts or disclosures in the Company's financial statements.

**SATURNA BROKERAGE SERVICES, INC.**  
(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)

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**Computation of Net Capital as of June 30, 2020**

*per Rule 15c3-1 under the Securities Exchange Act of 1934 (Schedule I)*

Total shareholder's equity	\$ 2,542,047
Less – Shareholder's equity not allowable for Net Capital	-
Total shareholder's equity qualified for Net Capital	<u>2,542,047</u>
Deductions and/or charges:	
Non-allowable assets	<u>(1,070,597)</u>
Net Capital before haircuts on securities positions	<u>1,471,450</u>
Haircuts on securities (computed pursuant to Rule 15c3-1(f)):	
Other securities	<u>(165,315)</u>
Net Capital	<u><u>\$ 1,306,135</u></u>
Aggregate Indebtedness	
Total aggregate indebtedness	<u>\$ 1,174,496</u>
Total aggregate indebtedness	<u><u>\$ 1,174,496</u></u>
Computation of basic Net Capital requirement	
Minimum Net Capital required	\$ 78,300
Excess Net Capital	\$ 1,227,835
Ratio: Aggregate Indebtedness to Net Capital	.8992 to 1

Note: There are no material differences between the preceding computation and the company's corresponding part II of Form X-17A-5 as of June 30, 2020.





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## **Report of Independent Registered Public Accounting Firm**

To the Shareholder and Board of Directors of  
Saturna Brokerage Services, Inc.

We have reviewed management's statements, included in the accompanying Management's Statement Regarding Compliance with Certain Exemption Provisions Under Rule 15c3-3 of the Securities Exchange Act of 1934, in which (1) Saturna Brokerage Services, Inc. identified the following provisions of 17 C.F.R. §15c3-3(k) under which Saturna Brokerage Services, Inc. claimed an exemption from 17 C.F.R. §240.15c3-3(k)(2)(ii), (the exemption provisions) and (2) Saturna Brokerage Services, Inc. stated that Saturna Brokerage Services, Inc. met the identified exemption provisions throughout the most recent fiscal year without exception. Saturna Brokerage Services, Inc.'s management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Saturna Brokerage Services, Inc.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

Bellingham, Washington  
August 25, 2020



1300 North State Street  
Bellingham  
Washington 98225  
[www.saturna.com/sbs](http://www.saturna.com/sbs)

Telephone: (360) 734-1266  
(800) 728-1266  
Fax: (360) 734-0755

**MANAGEMENT'S STATEMENT REGARDING COMPLIANCE WITH CERTAIN  
EXEMPTION PROVISIONS UNDER RULE 15c3-3 OF THE SECURITIES EXCHANGE ACT  
OF 1934**

We, as members of management of Saturna Brokerage Services, Inc. (the Company), are responsible for complying with the requirements of 17 C.F.R. §15c3-3, "The Customer Protection Rule", of the Securities Exchange Act of 1934 (the "Act"). We have performed an evaluation of the Company's compliance with the Customer Protection Rule as of June 30, 2020 and during the period from July 1, 2019 through June 30, 2020. Based on this evaluation, we assert that the Company was in compliance with the Act as described below:

- 1) The Company is exempt from the Customer Protection Rule under Paragraph (k)(2)(ii) as the Company is an introducing broker or dealer, who clears all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer, and who promptly transmits all customer funds and securities to the clearing broker or dealer which carries all of the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to the requirements of Rules 17a-3 and 17a-4, as are customarily made and kept by a clearing broker or dealer.
- 2) The Company met the identified exemption provisions throughout the most recent fiscal year without exception.

Saturna Brokerage Services, Inc.

  
\_\_\_\_\_  
Jane Carzen, President

8/25/2020  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Kalen Hanna, Chief Financial Officer

8/25/20  
\_\_\_\_\_  
Date

**SIPC-7**

(36-REV 12/18)

## SECURITIES INVESTOR PROTECTION CORPORATION

P.O. Box 92185 Washington, D.C. 20090-2185  
202-371-8300

## General Assessment Reconciliation

**SIPC-7**

(36-REV 12/18)

For the fiscal year ended **6/30/2020**

(Read carefully the instructions in your Working Copy before completing this Form)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5.

36558 FINRA JUN  
SATURNA BROKERAGE SERVICES INC  
ATTN KALEN HANNA  
1300 N STATE ST  
BELLINGHAM WA 98225-4715

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

**COPY**

2. A. General Assessment (item 2e from page 2)

B. Less payment made with SIPC-6 filed (exclude interest)

Date Paid

C. Less prior overpayment applied

D. Assessment balance due or (overpayment)

E. Interest computed on late payment (see instruction E) for \_\_\_\_\_ days at 20% per annum

F. Total assessment balance and interest due (or overpayment carried forward)

G. PAYMENT: ☒ the boxCheck mailed to P.O. Box ☐ Funds Wired ☐ ACH ☒

Total (must be same as F above)

H. Overpayment carried forward

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

Saturna Brokerage Services

Name of Corporation, Partnership or other organization

Authorized Signature

CFO

Title

Dated the 22 day of July, 2020

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

SIPC REVIEWER

Dates:

Postmarked

Received

Reviewed

Calculations

Documentation

Forward Copy

Exceptions:

Disposition of exceptions:

# DETERMINATION OF "SIPC NET OPERATING REVENUES" AND GENERAL ASSESSMENT

Amounts for the fiscal period  
beginning 7/1/2019  
and ending 6/30/2020

Item No.

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

Eliminate cents  
\$ 5,630,597

2b. Additions:

- (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.
- (2) Net loss from principal transactions in securities in trading accounts.
- (3) Net loss from principal transactions in commodities in trading accounts.
- (4) Interest and dividend expense deducted in determining item 2a.
- (5) Net loss from management of or participation in the underwriting or distribution of securities.
- (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.
- (7) Net loss from securities in investment accounts.

Total additions

2c. Deductions:

- (1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (4) Reimbursements for postage in connection with proxy solicitation.
- (5) Net gain from securities in investment accounts.
- (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.
- (7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).
- (8) Other revenue not related either directly or indirectly to the securities business.  
(See Instruction C).

(Deductions in excess of \$100,000 require documentation)

(9) (i) Total interest and dividend expense (FOCUS Line 22 PART IIA Line 13,

Code 4075 plus line 2b(4) above) but not in excess  
of total interest and dividend income.

\$ \_\_\_\_\_

(ii) 40% of margin interest earned on customers securities  
accounts (40% of FOCUS line 5, Code 3960).

\$ \_\_\_\_\_

Enter the greater of line (ii) or (iii)

Total deductions

2d. SIPC Net Operating Revenues

\$ 5,715,642  
-85,045

2e. General Assessment @ .0015

\$ 0  
(to page 1, line 2.A.)



## **Report of Independent Registered Public Accounting Firm on Applying Agreed-Upon Procedures**

To the Shareholder and Board of Directors of  
Saturna Brokerage Services, Inc.

We have performed the procedures included in Rule 17a-5(e)(4) under the Securities Exchange Act of 1934 and in the Securities Investor Protection Corporation ("SIPC") Series 600 Rules, which are enumerated below and were agreed to by Saturna Brokerage Services, Inc. ("Company") and the Securities Investor Protection Corporation ("SIPC"), solely to assist you and the SIPC in evaluating the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7) for the year ended June 30, 2020. Management of the Company is responsible for its Form SIPC-7 and for its compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our findings are as follows:

1. We were unable to compare the listed assessment payments in Form SIP-7 with respective cash disbursement records consisting of copies of cancelled checks as the Company's SIPC Net Operating Revenues were negative and there were no required SIPC payments during the year;
2. Compared the Total Revenue amounts reported on the Annual Audited Report Form X-17A-5 Part III for the year ended June 30, 2020, with the Total Revenue amounts reported in Form SIPC-7 for the year ended June 30, 2020, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers, noting no differences;
4. Recalculated the arithmetical accuracy of the calculations reflected in Form SIPC-7 and the related schedules and working papers supporting the adjustments, noting no differences;
5. We were unable to compare the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed as there was no such overpayment amount stated on the form SIPC-7 and management represented to us that no such overpayment exists.

We were not engaged to and did not conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Company's compliance with the applicable instructions of the Form SIPC-7 for the year ended June 30, 2020. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Company and the SIPC, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mon Adams LLP". The signature is written in a cursive, flowing style.

Bellingham, Washington  
August 25, 2020

## Attachment A

### STATEMENT REGARDING INDEPENDENT PUBLIC ACCOUNTANT UNDER SEA RULE 17a-5(f)(2)

FINRA is making this template available for members to comply with SEA Rule 17a-5(f)(2), as amended, which went into effect on June 1, 2014 and sets forth new requirements as to the statement members must file to identify their independent public accountant. Members must file the statement electronically with FINRA. The statement must also be filed with the SEC's Washington, DC office and the SEC's regional office in which the member's principal place of business is located.

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(A) Member Information

- a. Name: SATURNA BROKERAGE SERVICES
- b. Registration Number
- i. FINRA CRD Number: 18437
- ii. SEC Registration Number: 8-36558
- c. Address: 1300 NORTH STATE STREET, BELLINGHAM WA 98225
- d. Telephone: (360) 734-9900
- e. E-mail Contact: KMH@SATURNA.COM

(B) Independent Public Accountant Information<sup>1</sup>

- a. Name: MOSS ADAMS, LLP
- b. Address: 2219 RIMLAND DRIVE, STE 215, BELLINGHAM WA 98226
- c. Telephone: (360) 676-1920
- d. Contact Name: MATTHEW TYGERT, CPA

(C) Fiscal Year End Information

- a. The date of the fiscal year end of the annual reports of the firm covered by the engagement:  
06/30/20

(D) Engagement of Independent Public Accountant Information

- a. Engagement Date: 06/10/20
- b. The engagement (check one):
- i. ☐ is for a single year.
- ii. ☒ is of a continuing nature.

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<sup>1</sup> Pursuant to SEA Rule 17a-5(f)(2)(iv) any broker or dealer that is not required to file reports prepared by an independent public accountant must file a statement required under SEA Rule 17a-5(f)(2)(i) indicating the date as of which the unaudited reports will be prepared.

(E) Representation Regarding Independent Public Accountant

- a. A representation that the independent public accountant engaged by the firm has undertaken the items enumerated in SEA Rule 17a-5(g)(1)<sup>2</sup> and (g)(2) with respect to the preparation of the reports required under SEA Rule 17a-5(d)(1)(i)(C).
- i. ☒ Financial Report as described in SEA Rule 17a-5(d)(1)(i)(A); and
- ii. Check one:
1. ☐ Compliance Report as described in SEA Rule 17a-5(d)(1)(i)(B)(1); or
2. ☒ Exemption Report as described in SEA Rule 17a-5(d)(1)(i)(B)(2)

(F) Does the firm clear transactions or carry customer accounts? Yes ☐ No ☒

- a. If Yes is selected, the firm must make the following representation as required by SEA Rule 17a-5(f)(2)(ii)(F):
- i. ☐ By filing this representation, and checking the box herein, the firm agrees to allow representatives of the SEC or FINRA, if requested in writing for purposes of an examination of the firm, to review the audit documentation associated with the reports of the independent public accountant filed under SEA Rule 17a-5(d)(1)(i)(C).
- b. If Yes is selected, the firm must make the following representation as required by SEA Rule 17a-5(f)(2)(ii)(G):
- i. ☐ By filing this representation, and checking the box herein, the firm agrees to allow the independent public accountant to discuss with representatives of the SEC and FINRA, if requested in writing for purposes of an examination of the firm, the findings associated with the reports of the independent public account filed under SEA Rule 17a-5(d)(1)(i)(C).

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<sup>2</sup> SEA Rule 17a-5(g) (Engagement of independent public accountant) provides as follows:

"The independent public accountant engaged by the broker or dealer to provide the reports required under paragraph (d)(1)(i)(C) of this section must, as part of the engagement, undertake the following, as applicable:

"(1) To prepare an independent public accountant's report based on an examination of the financial report required to be filed by the broker or dealer under paragraph (d)(1)(i)(A) of this section in accordance with standards of the Public Company Accounting Oversight Board; and

"(2)(i) To prepare an independent public accountant's report based on an examination of the statements required under paragraphs (d)(3)(i)(A)(2) through (5) of this section in the compliance report required to be filed by the broker or dealer under paragraph (d)(1)(i)(B)(1) of this section in accordance with standards of the Public Company Accounting Oversight Board; or (ii) To prepare an independent public accountant's report based on a review of the statements required under paragraphs (d)(4)(i) through (iii) of this section in the exemption report required to be filed by the broker or dealer under paragraph (d)(1)(i)(B)(2) of this section in accordance with standards of the Public Company Accounting Oversight Board."